THE QUÉBEC OCCUPATIONAL HEALTH AND SAFETY PLAN

Elements of comparison with other Canadian plans

Third Edition

CSST
Commission de la santé et de la sécurité du travail

This document was prepared by the Direction des communications on the basis of data provided by the Association of Worker's Compensation Boards of Canada or drawn from the annual reports of these agencies for the year 1984.

Research and Writing: Nicole Ménard

Dépôt légal — 4e trimestre 1985
Bibliothèque nationale du Québec

ISBN 2-550-12397-2

© 1983, 1984, 1985. Commission de la santé et de la sécurité du travail du Québec. Reproduction authorized with mention of source.

Table of Contents

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

List of Tables

Number of Employers Contributing to Accident Funds	3
Ratio between Occupational Injury Claims and Total Jobs	5
Maximums Insurable and Their Adjustment Method	7
Compensation for Temporary Total Disability	8
Compensation for Permanent Total Disability	9
Compensation for Permanent Partial Disability	10
Ratio between Maximum Benefits and Average Wages	11
Adjustment Method for Permanent Disability Pensions	12
Employer Assesments	13
Investment Income of Canadian Boards	15
Comparative Evolution of Average Assesment Rates in Some Provinces	16
Financial Position of Canadian Boards as at December 31, 1984	17

Introduction

In Canada, labour matters are primarily within the competence of the provincial governments. Each province or territory has its own agency in charge of administering an occupational health and safety plan. A total of twelve self-sufficient boards manage accident funds financed by employers and provide compensation programs for workers who are victims of work accidents or occupational diseases. The mandates of some boards also include prevention and inspection activities.

In 1984, over half a million employers contributed to provincial accident funds. Although the basic principle of all the plans in Canada is the same — i.e. collective responsibility of employers and compulsory insurance guaranteed by a government fund — the obligations of employers subject to the plan vary from province to province.

During the same period, more than a million claims resulting from work accidents or occupational diseases were received by Canadian boards. This averages out a little more than ten claims per one hundred employed workers. Here again, the programs offered to workers differ from board to board, with similar injuries entitling workers to quite different benefits.

The following pages present elements of comparison which may lead to a better understanding of current differences between the plans in Canada, and the factors responsible for these differences. In particular, the comparisons will help situate the compensation plan administered by the CSST (Commission de la santé et de la sécurité du travail du Québec — Quebec Occupational Health and Safety Board) in relation to the plans of the other provinces and territories, and give some idea of the scope of the reforms introduced a few years ago.

Systematic revision of legislation in recent years

With the exception of legislation in Yukon and the Northwest Territories, the first laws on worker's compensation were adopted in the provinces of Canada many years ago: at least thirty years ago for the most recent and over sixty years ago for six of them. The Québec Act, which the government has just replaced by a new Act, had been in effect since 1931.

Social and economic changes and the development of other social insurance plans have resulted in these laws being amended many times or even replaced in some cases. The most important changes have occurred in the last few years because the combined effect of inflation and new concepts on income security and global compensation has forced the provinces to broaden the measures applied in the past, often quite substantially.

Following British Columbia's lead, Saskatchewan made legislative reforms in this field in 1979, as did New Brunswick and Alberta in 1981, and Manitoba and Newfoundland after that. An important stage in this reform process was reached in 1985 with the coming into force of major changes in the compensation plans of the two provinces where over 60% of the Canadian work force lives: Ontario and Québec. The new Ontario plan, effective since April, provides for compensation on the basis of net income, an increase in the maximum insurable and improved benefits for dependants, among other things. In Québec, since August 19, the plan has been based on the income replacement principle for compensation and acknowledges that accident victims have the right to rehabilitation and to return to work. Among other changes, there are the inclusion of the new mixed financing method adopted by the CSST and new review procedures in the new Act. A third province, Saskatchewan, which had innovated in 1980 by adopting the income replacement principle for compensation, also amended its legislation and decided to use the net income as the compensation base and substantially increase its maximum insurable.

Various legislative and administrative options for the provinces

In the last few years all the Canadian boards have had to face essentially the same problems, especially those caused by high inflation over a long period, the slowdown of economic growth and a changing philosophy on social insurance. However, the legislative and administrative options for necessary adjustments, and their urgency, have differed.

Let us consider, for example, some of the main amendments made to provincial or territorial plans over the last fifteen years or so:

- The progressive broadening of the various groups covered by the plans is still not uniform in all provinces, with major sectors of the labour market continuing to be excluded in some provinces, while elsewhere the plan is now practically universal;
- The revalorization of pensions, now automatic in seven plans, is still done by ad hoc legislative amendments in the others (p. 12);
- Statutory benefits for dependants have been replaced by benefits calculated on what the worker would have earned in ten plans, with just two provinces continuing to pay fixed benefits (p. 11);
- The adjustment of the maximum insurable is now automatic and annual in five of the plans, whereas the others proceed by means of ad hoc legislative amendments or orders in council (p. 7);
- Benefits are being calculated on the basis of 90% of the net income rather than 75% of the gross wages by six boards (p. 10);
- The income replacement principle, in conjunction with a lump-sum payment for a loss of physical ability, has been adopted by five plans as a basis of compensation for permanent disability, whereas the others still determine pensions chiefly in relation to the degree of the worker's loss of ability (p. 9);

Some innovative aspects of the Québec plan

Regarded as a leader in occupational health and safety matters in Canada, and even North America, Québec has participated in all these reforms as well as many others concerning access to information for beneficiaries, rehabilitation programs, compensation for occupational diseases, etc.

Certain aspects of the Québec plan further underline its innovative approach:

- Participation of labour and employers' representatives in the plan's administration and integration of all aspects of the plan through the creation of a joint body called the Commission de la santé et de la sécurité du travail (CSST), which replaced the Workmen's Compensation Board in 1980 and assumes complete jurisdiction for occupational health and safety matters (prevention, inspection, compensation, financing);
- Replacement of the financing method based on full capitalization by a mixed system better adopted to the current economic context;
- Acknowledgment of the right to rehabilitation and to return to work, within certain time periods, for injured workers and occupational disease victims;
- The establishment of joint review offices and medical arbitration, and the creation of a board of appeal outside the CSST, under the authority of another Minister, with the final decision-making power for all appeals on the various aspects of the plan.

Degree of Universality of the Various Plans

Québec is one of the provinces in Canada with a plan that covers the greatest number of citizens. Nearly all of Québec's workers and employers in both the private and public sectors are subject to it; this is not the case in all provinces, however, since large sectors of the labour market are still excluded from some plans.

The above is an important aspect in the social security philosophies basic to the different Canadian plans. It is also an element not to be overlooked when comparing costs, assessments, etc.

The data at our disposal unfortunately do not allow us to determine the precise degree of universality of each plan, i.e. the proportion of workers and employers involved. Although insufficient to give a complete picture of the situation, the statistics available on the number of employers subject to the plan (at least those who contribute directly to the accident fund), the claims accepted by the boards and the number of workers employed in each province still give us indicative proportions.

Employers subject to the plans

In 1984, over 500,000 employers contributed to accident funds managed by Canadian boards, either because they were required by law to contribute or because they chose to belong to the plan voluntarily.

Table 1 gives a breakdown by province of employers who paid assessments to Canadian boards in 1984. It will be noticed that three boards alone — Québec, British Columbia and Ontario — account for close to 75% of the Canadian employers registered in a plan. The proportion of employers registered is slightly higher than for workers employed in the first two provinces, but distinctly lower in the case of Ontario.

Employers who assume their own accident costs

To complete these figures, it is interesting to consider the question of employers who assume their own accident costs as well as fields excluded from the plans.

In all the provinces, some employers under the plan are not required to contribute directly to the accident fund but are themselves responsible for assuming costs related to compensation for the workers they employ. Their employees receive benefits from the board on the same basis as in other industries, and the employers reimburse the board for all costs incurred, including administration expenses. Usually, such employers are governments, Crown corporations or firms holding government licences.

The total number of employers with this status varies considerably from one province to the next. In Québec, for instance, since the 1981 integration of the provincial government and its agencies

TABLE 1

Number of Employers Contributing to Accident Funds (1984)

Province	Number of employers[1]
British Columbia	85,155
Alberta	59,416
Saskatchewan	32,199
Manitoba	19,097
Ontario	168,000
Québec	**153,318**
New Brunswick	10,050
Prince Edward Island	2,900
Nova Scotia	13,306
Newfoundland and Labrador	12,500

(1) Except for employers who assume their own accident costs.

into the assessment system, only about thirty remain. By contrast, Ontario has more than 4,000 employers who assume their own accident costs, including the provincial government, municipalities, school boards, telephones companies, etc. In view of the generally high payroll of these employers, their exclusion from the assessment system obviously affects operations related to it, particularly the calculation of the average assessment rate and growth of the accident fund. This, therefore, is an element to consider when comparing the plans.

It should also be pointed out that federal public servants and employees of most Crown corporations, government boards and agencies throughout Canada are covered by federal legislation: The Government Employees Compensation Act. Under this act, workers receive benefits according to the rates and conditions set out in provincial legislation, through the intermediary of the various boards which are then reimbursed for amounts paid out.

Exclusions and optional coverage

Except for British Columbia, Manitoba, Ontario, Nova Scotia and Prince Edward Island, where the provincial workers' compensation acts apply only to specified fields, participation in the plan is obligatory in all sectors except those excluded from the outset.

The sectors excluded differ greatly, however, from one jurisdiction to the next. In Québec, for instance, with domestic workers now covered by the Act on an optional basis, only participating athletes do not receive coverage. Similarly in Newfoundland, the Northwest Territories and Yukon, the exceptions are minor (professional athletes, domestic workers, clergy). In New Brunswick, domestic workers are also excluded; however, businesses with less than three workers (twenty-five for the fishing sector) are exempted from contributing to the plan but are offered optional coverage. In Alberta and Saskatchewan, the law's exceptions extend to financial institutions, commercial firms and businesses in the farming sector, among others. There are about 60,000 farm workers, or over 20% of the work force, among others.

In the other jurisdictions, many sectors of activity are not covered by the plan because they are not specifically designated. Such is the case in Ontario, for example, for establishments like banks, insurance companies, professionals, hairdressing salons, etc. In British Columbia, the same situation exists for different sectors, including medical, paramedical and financial services, etc. In Manitoba, the farming sector is not covered although it employs close to 10% of the work force. It should be noted, however, that all these plans offer optional coverage to all employers not subject to the plan from the start.

It has to be pointed out that several provincial laws make provisions for a kind of personal responsibility for employers not required to contribute to the plan; this is true, for instance, in Ontario and British Columbia. Another point to note is that employers themselves, and their spouses or partners, can receive personal coverage under all the plans. This option is also open to skilled tradesmen (independent workers) in some plans.

Workers covered by the plans

Considering the above, it is estimated that the percentage of employed workers covered by the boards' compensation programs may vary from 70% to 95%, depending on the province. Without statistics on the populations subject to the plans, it is difficult to accurately determine the variance between different plans. At most, the data available enable us to draw a parallel between claims received by boards and the number of employed persons in each province, whether covered by the plan or not. Although the ratio of claim rates to the number of employed workers may indicate the degree of universality of the various plans, we must also consider other factors that can affect this rate too, such as the level of employment, the proportion of firms operating in high-risk sectors, or the prevention efforts being applied in a province. Therefore, we must interpret these rates cautiously and not class them alongside accident rates.

As Table 2 shows, the average claims registered varies, according to the province, from 7.5 to 12.8 per 100 employed workers. Generally, these variances seem to be closely linked to the proportion of workers covered by the plans. Higher in provinces like Québec and New Brunswick where the plans cover a greater proportion of the population, the claim rates are in fact much lower in relation to total jobs in provinces where many employers are excluded from the plan, as in Ontario, Saskatchewan or Manitoba. In British Columbia, the high claim rate despite the exclusion of many sectors might be explained both by the number of employers who have taken out optional coverage and the presence of high-risk industries.

The market difference between rates recorded in Québec and Ontario underlines the impact a plan's degree of universality has on its compensation programs, since with 56% more employed workers than Québec, Ontario records barely 12% more claims! However, it should also be noted that these rates are affected by how systematically the boards record accidents that incur no or low costs; in Québec, in 1984, more than 6% of the files opened were closed without payment of benefits.

TABLE 2

Ratio Between Occupational Injury Claims and Total Jobs (1984)

Jurisdiction	Claims	Total jobs, whether covered by the plan or not[1] (000)	Claims/ total jobs
British Columbia	150,919	1,202	12.6%
Alberta	55,732[3]	1,114	5.0%[2]
Saskatchewan	38,818	439	8.8%
Manitoba	48,685	472	10.3%
Ontario	388,845	4,243	9.2%
Québec	**347,662**	**2,722**	**12.8%**
New Brunswick	29,427	248	11.9%
Prince Edward Island	3,691	49	7.5%
Nova Scotia	30,730	337	9.1%
Newfoundland and Labrador	16,107	176	9.2%
Yukon	1,024	9	11.7%
Northwest Territories	3,355	17	19.3%

(1) Data provided by Statistics Canada (11003 E), except for the Northwest Territories. Not to be confused with the number of workers covered by the plans, for which the proportion varies between 70% and 95% according to the province.

(2) Except for claims for medical aid only, received since 1982 by Alberta Health Care.

All the provincial laws provide that victims of a work accident or an occupational disease covered by the plan are entitled to payment of the medical costs incurred by their injury, benefits for any temporary or permanent disability, and social and occupational rehabilitation services. Likewise, in the case of a fatal work accident, these laws provide for payment of various expenses and benefits to the worker's dependants.

The Canadian plans have gone through many changes in recent years. Although at different paces, all have become committed to an evolution required by the economic and social context and the need for harmony with other public income secutity plans such as for automobile insurance, retirement, unemployment insurance... While adjustments have been made only to minimum and maximum benefits in some plans to date, other provinces have gone much further and made major reforms affecting the basic principles of compensation. This is the case in Québec, which just replaced its Workers' Compensation Act by a new Act based on the income replacement principle and acknowledging the workers' right to rehabilitation and to return to work.

Maximums insurable and their adjustment

The principles and rules applied when calculating benefits vary from one jurisdiction to the next, but all determine the amounts of most benefits based on the worker's income at the time of his or her accident. Everywhere, however, the law provides for a fixed maximum beyond which income is not considered for either compensation purposes or employer assessment purposes.

As indicated in Table 3, these insurable wage maximums varied from $17,000 to $45,500 in 1984 depending on the jurisdiction. This means that the proportion of workers whose income is insured in full differs widely from one jurisdiction to the next. It should be noted, though, that plans whose compensation base is still the gross, rather than net income, have the lowest maximums insurable, high income earners being privileged by this calculation base. Generally, the jurisdictions that adopt the net income for their compensation base raise their insurable maximum: this was true for Ontario and Saskatchewan in 1985, with respective increases of 18% and 45%.

In Québec, the maximum insurable is determined annually to correspond to the average wages of Québec workers plus 50%. It is estimated that this form of calculation enables about 85% of the workers to have their wages covered in full by the plan.

The maximums insurable are revalorized in five of the plans, including Québec's since 1977, according to an annual escalation formula set out in the law. This automatic adjustment, which generally follows the evolution of the average wages in the jurisdiction, gives workers guarantees of income security and facilitates the administration of the assessment system for the boards.

The provinces and the territory which do not apply the automatic escalation formula to the maximum insurable periodically sanction legislative measures to increase the ceilings. This is the case in Ontario where the adjustment of the maximum insurable is done by ad hoc legislative amendments that usually allow for coverage of about 150% of the average wages. Though often retroactive, this adjustment is not always simultaneous for compensation and assessment purposes: thus, the maximum of $26,800 applied to benefit calculations as of July 1, 1984 was not applied to assessments until January 1, 1985.

Principles and rules for calculating benefits

In all the plans, the benefits paid to workers for temporary or permanent disability consist of a percentage of their average weekly earnings, which can be 90% of the net income or 75% of the gross earnings depending on the province.

In 1979, Québec was the first to replace the gross earnings by the 90%-of-net-income rule for the calculation of benefits. Alberta, New Bruns-

TABLE 3

Maximums Insurable and Their Adjustment Method (1984-1985)

Jurisdiction	1984 maximum	1985 maximum	Adjustment method
British Columbia	30,200	32,400	Automatic every year, according to evolution of average wages
Alberta	40,000	40,000	Ad hoc, by legislative amendment
Saskatchewan	33,000	48,000(1)	Ad hoc, by legislative amendment
Manitoba	28,000	29,000	Automatic every year, according to evolution of average wages of injured workers
Ontario	26,800	31,500(2)	Ad hoc, by legislative amendment (about 150% of average wages)
Québec	**31,500**	**33,000**	**Automatic every year (150% of average wages)**
New Brunswick	27,500	29,400	Automatic every year (150% of composite industrial wages)
Prince Edward Island	17,000	17,000	Ad hoc, by Board decision, on approval of Lieutenant-Governor in Council
Nova Scotia	19,000	24,000	Ad hoc, by order in council
Newfoundland and Labrador	45,500	45,500	Ad hoc, by order in council
Yukon	27,000	28,500	Automatic every year, according to evolution of average wages of injured workers
Northwest Territories	26,400	30,400(3)	Ad hoc, every year by legislative amendment

(1) In force since September 1, 1985 (2) In force since April 1, 1985 (3) In force since July 1, 1985

wick, Newfoundland, Ontario and Saskatchewan have since followed suit by revising their respective laws, but the other six jurisdictions continue to use gross wages as the basis for calculation. Since benefits paid by the boards are not taxable, the use of the worker's net wages — i.e. his gross earnings less income tax, unemployment insurance and Canada or Québec Pension Plan deductions — gives closer consideration to the family responsibilities of each beneficiary. The net wage basis ensures that workers receive benefits based on their actual income, but guarantees they will not exceed their pre-accident income, especially for those in high wage brackets.

In seven of the plans, the benefits payable to a worker are determined primarily in relation to the seriousness of his or her physical disability. However, Saskatchewan in 1980, followed by New Brunswick, Yukon and Newfoundland, and finally Québec in 1985, have innovated by introducing income replacement plans more in the line with new social security concepts and better adapted to the needs of a modern society. It should be noted that Québec had already set up a plan based on this principle in 1975, through an act respecting victims of asbestosis and silicosis.

Tables 4, 5, and 6 give an overview of the calculation base used in each jurisdiction to determine amounts of benefits for a temporary or permanent disability. It plans using the income replacement principle, the benefits include a lump sum for any permanent functional disability, in addition to monthly benefits for loss of wages.

TABLE 4

Compensation for Temporary Total Disability (1985)

Jurisdiction	Compensation base	Weekly maximum	Weekly maximum[1]
British Columbia	75% of average wages	$466.02	$193.87
Alberta	90% of weighted net income	509.01[2]	155.34
Saskatchewan	90% of weighted net income[3]	593.21[2]	194.72
Manitoba	75% of average wages	418.27	136.15
Ontario	90% of weighted net income[4]	426.64[2]	201.94
Québec	**90% of weighted net income**	**413.98[2]**	**152.91**
New Brunswick	90% of weighted net income	403.06[2]	—
Prince Edward Island	75% of average wages	245.19	60.00
Nova Scotia	75% of average wages	346.15	120.50
Newfoundland and Labrador	90% of weighted net income	533.64[2]	200.00
Yukon	75% of average wages	409.92	127.00
Northwest Territories	75% of average wages	438.46	192.92

(1) Below this mimimum, all boards pay the worker his or her full wages.

(2) Maximum for a worker with two dependants, varying with the number of dependants.

(3) In force since September 1, 1985.

(4) In force since April 1, 1985.

These same tables show the maximum and minimum benefits to which workers in the various jurisdictions may be entitled. The variances between these amounts are accounted for the difference from plan to plan between the maximums insurable, compensation principles and base wages (net or gross) used for calculation purposes.

TABLE 5

Compensation for Permanent Total Disability (1985)

Jurisdiction	Benefit base[1]	Maximum monthly benefits	Minimum monthly benefits
British Columbia	75% of average pre-accident wages	$2,025.00	$840.22
Alberta	90% of weighted net income	2,211.78[2]	693.00
Saskatchewan	Lump-sum payment up to $20,000, plus 90% of loss of earning capacity calculated on the basis of the net income[3]	2,422.33[2]	843.79
Manitoba	75% of average pre-accident wages	1,812.50	590.00[4]
Ontario	90% of weighted net income[5]	1,741.75[2]	875.00
Québec	**Lump-sum payment up to $50,000 plus 90% of earnings loss calculated on the basis of weighted net income[6]**	**1,656.25[3]**	**605.50**
New Brunswick	Lump-sum payment up to maximum insured ($29,400), plus 90% of earnings loss calculated on the basis of net income	1,608.10[2]	—
Prince Edward Island	75% of average pre-accident wages	1,062.49	260.00[4]
Nova Scotia	75% of average pre-accident wages	1,500.00[7]	499.00
Newfoundland and Labrador	Lump-sum payment up to maximum insured ($45,000), plus 90% of earnings loss calculated on the basis of net income	2,266.90[2]	—
Yukon	Lump-sum payment of up to $25,000, plus 75% of earnings loss	1,781.25	550.33[4]
Northwest Territories	75% of average pre-accident wages	1,900.00	836.00[4]

(1)
For accidents that occurred in 1985. Some boards whose plans have been changed recently are still using their old benefit bases for accidents that occurred before the changes or the coming into force of the new law. Special allowances for the disabled provided for in all plans (personal care, assistance, lack of resources, clothing, prosthetic appliances) are not included here.

(2)
Maximum for an unmarried worker, increasing according to number of dependants.

(3)
In force since September 1, 1985.

(4)
Or the worker's full wages, whichever is less.

(5)
In force since April 1, 1985.

(6)
In force since August 19, 1985.

(7)
Plus $143 per child attending school.

TABLE 6

Compensation for Permanent Partial Disability (1985)

Jurisdiction	Benefit base[1]
British Columbia	Proportion of 75% of wages, based on degree of disability or loss of wages.
Alberta	Proportion of 90% of net wages, based on degree of disability. Possibility of additional amounts for reduction in wages, rehabilitation, etc.
Saskatchewan	Lump-sum payment based on percentage of disability (max.: $20,000, min.: $1,000), plus 90% of the loss of net income caused by accident.[2]
Manitoba	Proportion of 75% of wages deemed sufficient by the board to compensate for a physical loss and, possibly, for a loss of wages.
Ontario	Proportion of 90% of net wages, based on degree of disability and, in some cases, amount of reduction in wages.[3]
Québec	**Lump-sum payment based on percentage of disability (max.: $50,000, min.: $500), plus 90% of the loss of weighted net income caused by the accident.[4]**
New Brunswick	Lump-sum payment based on percentage of disability (max.: $29,400, min.: $500), plus 90% of loss of net wages due to accident.
Prince Edward Island	Proportion of 75% of wages, based on degree of disability or loss of wages.
Nova Scotia	Proportion of 75% of wages, based on degree of disability.
Newfoundland	Lump-sum payment based on percentage of disability (max.: $45,000, min.: $1,000), plus 90% of loss of net wages caused by the accident.
Yukon	Lump-sum payment based on percentage of disability (max.: $25,000, min.: $500), plus 75% of loss of wages caused by the accident.
Northwest Territories	Proportion of 75% of wages, based on degree of disability.

(1)
For accidents that occurred in 1985. Some boards whose plans have been changed recently are still using their old benefit bases for accidents that occurred before the changes or new legislation.

(2)
In force since September 1, 1985.

(3)
In force since April 1, 1985.

(4)
In force since August 19, 1985.

To facilitate comparison, it is interesting to draw a parallel between the maximum benefits for temporary disability and the average weekly wages in each jurisdiction. The figures in Table 7 give a rough idea of the extent to which workers' wages are covered by the various plans. The percentages indicated are valid only for comparison of the plans, since maximum benefits are being compared to average wages.

Beyond the amount of these benefits, the comparison would have to take their duration into account to be really significant, particularly in the framework of social and occupational rehabilitation programs. The data at our disposal do not, however, allow us to make precise parallels in this regard. At most we can affirm that Québec's position is recognized as innovative both in Canada and in relation to international legislation, and its programs draw interest from many agencies. Generally speaking, the social, physical and occupational rehabilitation programs applied in Québec can include benefits and the payment of various costs related to personalized treatment for such things as job support, psycho-social support, income support and adaptation of the living environment.

In addition to temporary or permanent disability benefits paid to victims of occupational injuries, all the jurisdictions provide benefits for dependants of workers who die from work accidents. Since 1974, ten jurisdictions, including Québec in 1979, have progressively replaced the payment of statutory benefits to dependants by benefits based on a percentage of what the worker himself or herself would have received if he or she

TABLE 7

Ratio Between Maximum Benefits and Average Wages (1985)

Jurisdiction	Maximum weekly benefits[1]	Average weekly wages[2]	Benefits/ wages
British Columbia	466.02	427.43	109%
Alberta	509.01[3]	436.69	117%
Saskatchewan	593.21[3]	381.05	156%
Manitoba	418.27	372.32	112%
Ontario	426.64[3]	395.16	108%
Québec	**413.98[3]**	**391.07**	**106%**
New Brunswick	403.06[3]	363.71	111%
Prince Edward Island	245.19	319.23	77%
Nova Scotia	346.15	351.25	99%
Newfoundland and Labrador	533.64[3]	380.67	140%
Yukon	409.92	471.26	87%
Northwest Territories	438.36	550.09	80%

(1) See table 4. Untaxable.

(2) As determined by Statistics Canada (72-002) for the workers of each province, including overtime. Taxable.

(3) With two dependants. Varies according to number of dependants, since the benefit base is 90% of the net income, rather than 75% of the gross income in the other cases.

had become totally disabled. In Nova Scotia and Prince Edward Island, the rate of allowances to dependants is always fixed by law. It should be noted that in addition to these monthly benefits, all the plans provide for payment of various costs and of a lump sum at the time of death.

Pension indexing

All the boards periodically adjust current pensions under their compensation plans for occupational injury victims or their dependants. This adjustment is generally based on the Consumer Price Index or the evolution of wages and is automatic in six provinces and one territory, while in the others the Parliament or Lieutenant Governor in Council adopts measures to raise benefits (see Table 8).

For a long time, only the minimum benefit amounts were periodically re-evaluated. British Columbia was the first to introduce, in 1965, a pension indexing clause in its plan, followed by Québec in 1970, then by other provinces. The method used to adjust pensions is particularly important during periods of inflation: for beneficiaries, on the one hand, because automatic indexing of their benefits is a guarantee to a large extent of their income security; for the boards and the employers who finance accident funds, on the other hand, because an adequate evaluation of the costs that will be incurred by the injuries declared is vital to the sound administration of plans.

TABLE 8

Adjustment Method for Permanent Disability Pensions (1985)

Jurisdiction	Pension adjustment method
British Columbia	Automatic, based on the Consumer Price Index. Semi-annual.
Alberta	Ad hoc, by legislative amendment, generally based on the Consumer Price Index.
Saskatchewan	Automatic, based on the Consumer Price Index. Annual.
Manitoba	Ad hoc, by legislative amendment. Reflects evolution of the Consumer Price Index.
Ontario	Ad hoc, by legislative amendment. Periodic and generally retroactive, follows Consumer Price Index.
Québec	**Automatic, based on the Consumer Price Index. Annual.**
New Brunswick	Automatic, follows evolution of wages. Annual.
Prince Edward Island	Ad hoc, by legislative amendment.
Nova Scotia	Automatic, follows evolution of Consumer Price Index. Annual.
Newfoundland and Labrador	By order in council. Follows evolution of prices and wages. Annual.
Yukon	Automatic, based on the Consumer Price Index. Annual.
Northwest Territories	Ad hoc, by legislative amendment.

Assessments Paid by Employers

Generally, the financial resources the boards need in order to exercise their mandates come exclusively from employer assessments. In 1984, Canadian boards collected $2.7 billion in assessments, or 1.9% of the insurable wages declared during this period.

When added to the return on investments made in previous years with the goal of building reserves in compliance with the law, these assessments provided the boards with total incomes of $3.5 billion allocated, depending on the case, to one or all of the following items:

- payment of benefits due during the year;
- increase of accident fund reserves to cover the boards' commitments to victims of occupational injuries;
- amortization of costs carried over or deficits accumulated in the reserves for accidents declared in previous years;
- subsidies for prevention programs and inspection activities[1];
- plan administration and overhead expenses;
- recovery of operating deficits.

With the exception of Québec which began applying a mixed financing method in 1984, throughout that period all the plans officially preferred financing based on full capitalization, namely the accumulation of sufficient reserves to pay present and future costs related to accidents already declared.

(1) In Québec, costs related to inspection are currently covered by credits from the ministère du Travail.

TABLE 9

Employer Assessments (1984)

Jurisdiction	Total insurable wages[1] (billions of $)	Amounts collected (millions of $)
British Columbia	19.4	480.1
Alberta	15.2	269.5
Saskatchewan	5.3	63.5
Manitoba	4.7	49.8
Ontario	48.4	1 048.6
Québec	**40.4**	**697.8**
New Brunswick	2.5	43.7
Prince Edward Island	0.3	4.6
Nova Scotia	2.8	33.6
Newfoundland and Labrador	1.9	31.8

(1) For maximums insurable see Table 3. Most of these amounts are estimates since the actual wages are still not known at the end of a fiscal year. Also, in most cases, they do not include the wages paid by employers who assume their own accident costs.

In recent years, the rise in benefits due to inflationary pressure and the economic crisis have forced many boards including Ontario, British Columbia, Alberta and Québec to draw upon their reserves or carry over costs in order to assume their total expenses. With expenses rising constantly and the economic situation not favourable enough to further raise employer contributions, these boards chose to waive some of their basic financing principles for a while.

In such a context, there is no way to compare assessments in the different provinces without considering the boards' financial position, which we will cover later on. While closely tied to the plan costs, assessments also largely reflect political or administrative choices regarding financing, the repercussions of which are already being felt.

Employer contributions to various plans

Table 9 gives data on the insurable wages declared in 1984 by employers who contributed to provincial accidents funds and the assessment amounts they paid to the boards during that period. A quick analysis of these figures shows the overall contribution of the employers varied from 1.0% to 2.5% of the insurable wages, depending on the province. For Québec it was 1.7%, Ontario 2.2%, British Columbia 2.5% and Alberta 1.8%. These averages calculated from the assessments actually collected do not necessarily correspond to the nominal rates set in advance by the boards according to various estimates. Also, it should be noted that the rates applied to different employer groups are not uniform, but vary according to their experience in workers' compensation matters.

Employer assessments paid into provincial accident funds without a doubt are the data most often used in comparisons between plans. Generally based on "average assessment rates", the parallels drawn are unfortunately often distorted because they fail to consider important factors that affect the total wages to which these rates apply and the evaluation of the plan's costs. Meaningful conclusions on the costs or administration of plans cannot be reached without considering the following factors:

- Differences between target groups according to the industrial structure of each province, the higher or lower proportion of workers in high-risk sectors, the inclusion or exclusion of certain sectors: these data have a direct effect on the plan's overall costs and the calculation of average assessment rates, without necessarily having repercussions on the employer assessment level of a given sector.
- The level of the maximum insurable to which the assessment rate applies, which has a direct effect on the actual amount of assessment. In 1985, these maximums ranged from $17,000 to $48,000 depending on the province (see Table 3).
- The total amount of wages of employers who assume their own accident costs, which also affects the establishment of the average rate since it does not enter into the calculation of assessments. For example, in Ontario, the presence of about 4,000 employers with this status has an obvious effect on the average assessment rate. In Québec, we felt the impact of the integration of such employers into the accident fund when the provincial government and its agencies joined the system in 1981.
- The method used to evaluate accident costs, which will give very different results in an analysis of a board's financial needs depending on whether or not it accounts for such factors as inflation or pension indexing. Ontario, for instance, includes in its assessment rate calculations only a partial provision for the increase in maximums insurable or benefit indexing, as these are not automatic under its plan. When these amounts are periodically escalated by legislative amendment, the assessments collected are therefore insufficient to cover the additional costs thus created, leading to major deficits. In 1984, Ontario recorded excess expenditures of $685 million primarily due to the escalation of benefits.
- The financing method chosen, according to whether or not it provides for full capitalization of the costs of accidents that occurred during the year. Thus, from 1984 to 1993, Québec is taking into account only a portion of accident costs in its assessment calculations, namely 90% for the first five years, gradually increasing to 100% thereafter.

- The amount of the boards' investment income, which allows assessment rates to be reduced proportionately. As seen in Table 10, 10% to 39% of the total income of boards comes from returns on investments. In Québec, Ontario and British Columbia, this percentage is 23%, 14% and 39% respectively. In terms of annual expenditures, however, it is noted that investment income was able to cover only 9.2% of the Ontario Board's expenditures in 1984, but 19.4% of Québec's and 41.3% of British Columbia's.
- The recovery of deficits, whether current deficits or actuarial deficiencies, which can make assessment rates rise for a number of years. Between 1976 and 1983, for example, the Commission de la santé et de la sécurité du travail du Québec included an amount in its assessment rates to amortize a deficiency in its accident fund, enabling it to raise its level of capitalization from 54% to 71%.

Evolution of average assessment rates

When determining annual assessment rates, some provinces set a nominal average rate, corresponding to their needs and the total insurable wages, which is then divided among the employer groups. Apart from comparisons of assessments actually received by the boards annually, it is interesting to analyze the evolution of these average rates over a longer period.

Table 11 establishes a parallel between the average rates fixed from 1978 to 1985 in the three plans which currently receive about 80% of employer assessments in Canada, namely British Columbia, Ontario and Québec. At first glance, these figures show quite different progressions of rates over the past few years. After increasing 40% in four years, the British Columbia rate has been frozen for three years under anti-inflation policy. Ontario's average assessment rate has risen close to 50% in seven years, despite efforts to curb its upward trend. In Québec, however, after successive increases which took the average rate from $1.90 in 1978 to $2.16 in 1982, the average rate decreased 5% in 1983, then 8% for 1984, remaining constant in 1985, bringing it back to about the same level as between 1978 and 1980.

TABLE 10

Investment Income of Canadian Boards (1984)

Jurisdiction	Investment income (millions of $)	% of total income
British Columbia	183.6	27.7
Alberta	105.7	38.7
Saskatchewan	32.5	33.9
Manitoba	20.8	23.0
Ontario	176.2	14.4
Québec	**212.0**	**23.1**
New Brunswick	11.6	20.9
Prince Edward Island	0.5	10.0
Nova Scotia	8.0	14.7
Newfoundland and Labrador	5.6	14.7

(1)
Total income before any transfer of interest to reserves

The evolution of average assessments rates is determined to a large extent by the administrative choices of these boards, particularly their attitude toward capitalization of their accident funds, the way they handle deficits and the measures they have taken to combat the economic crisis.

As a result, to overcome the difficulties of the times, many Canadian boards have had with reluctance to waive the principle of full capitalization temporarily, carry over costs or increase deficits. This is the case for British Columbia and Ontario which, however, subsequently had to rectify rates that were kept too low. Québec, which decided to increase its rate as early as 1976 in order to increase the sufficiency of its accident fund, recently made a major reform of its financing method and replaced its goal of full capitalization, for a certain period , by a mixed system via which it was able to reduce and stabilize assessment rates. Under this system, the Commission continues to capitalize part of the cost of the year's occupational injuries and to assume all prevention and administration costs, but no longer takes into account, when determining assessments, the deficit accrued at the end of 1984.

The CSST is the first board in Canada to challenge the principle of full capitalization traditionally preferred by all the plans. Its new system once again demonstrates its innovative methods and ability to adapt to new social and economic conditions created by the crisis. Already, the Québec formula is sustaining tremendous interest on the part of the other Canadian jurisdictions, particularly regarding the classification of employer units it uses, its acturial assumptions and its calculation technique.

TABLE 11

Comparative Evolution of Average Assessment Rates in Some Provinces (1978-1985)

Year	British Columbia	Ontario	Québec
1978	2.07	1.57	1.90
1979	2.07	1.80	1.91
1980	2.15	1.62	1.89
1981	2.49	1.69	2.10
1982	2.71	1.86	2.16
1983	2.88	1.98	2.05
1984	2.86	2.17	1.89
1985	2.86	2.31	1.88

Financial Position of Canadian Boards

As at December 31, 1984, the Canadian boards declared close to $8.2 billion of assets in their financial statements, or more than double the reserves they had seven years earlier. However, commitments to beneficiaries, as evaluated in the financial statements, rose at a faster pace in several provinces, thereby creating or increasing an accident fund deficit.

Generally, the boards are not required to maintain a reserve equal to the full capitalized value of their future commitments and, given the power of assessment at their disposal, the deficiency of their accident funds in this regard does not affect the security of their beneficiaries. Although an acturial deficiency does not give rise to an immediate danger of a board not being able to meet its commitments, in the medium or long term the level its reserves nevertheless directly affects the assessments.

TABLE 12

Financial Position of Canadian Boards as at December 31, 1983

Jurisdiction	Assets reported on balance sheet[1] (millions of $)	Investments (millions of $)	Deferred costs and uncapitalized commitments (millions of $)[2]
British Columbia	1,985.3	796.5	314.9
Alberta	1,127.6	820.4	146.2
Saskatchewan	300.2	267.1	—
Manitoba	169.6	163.8	25.6
Ontario	2,163.6	1,704.9	2,710.5[3]
Québec	**2,124.6**	**1,941.5**	**1,081.9**
New Brunswick	110.2	90.6	24.4[4]
Prince Edward Island	17.4	16.2	—
Nova Scotia	130.4	112.6	—
Newfoundland and Labrador	64.6	52.4	21.4

(1) Wherever assets include costs carried over or deferred assessments, the assets have been adjusted to exclude these amounts so as to facilitate comparison.

(2) Entered under either assets or liabilities.

(3) The Ontario Board estimates its uncapitalized commitments would be rather $5.4 billion, if they had to cover future increases in the cost of living, such as pension indexing. This figure is a quoted in 1984 annual report.

(4) It should be noted that a credit balance of $5.2 million is also entered in the financial statements.

Deficits accumulated in recent years

At the end of 1984, seven Canadian boards reported uncapitalized commitments in their financial statements, as either deferred costs, a deficit, or an unfunded liability[1]. Table 12 shows the amounts reported in the assets of each board as at December 31, 1984, as well as commitments deemed uncapitalized at that date. Although the assets of the boards are easy to compare, it should be noted that their deficits are not, because of different methods for evaluating commitments from one plan to the next.

Boards that accrued deficits over the last few years attribute them chiefly to one or more of the following reasons:

- Changes made to compensation plans giving rise to escalations of ongoing benefits and pensions and forcing them to increase the evaluation of their commitments. The retroactive nature of certain legislative amendments, particularly indexing of pensions to the cost of living, has generated major capitalization problems in several boards.
- A more liberal application of the law as concerns eligibility of certain claims, establishment of disability rates, benefits during social and occupational rehabilitation periods, etc.
- The impact of unprecedented inflation whose effects on plan costs are hard to predict.
- The growing costs of occupational rehabilitation, given the labour market situation.
- Costs entailed by decisions of the appeal mechanisms relating to files already settled.
- The application of inadequate assessment rates and delays in adjusting them to the plan's costs, given government anti-inflation policies and employer pressure to limit the recovery of deficits in a recession period, among other things.
- Collection of lower assessments than anticipated, attributable to the overestimation of payrolls affected by changes in the economy.

Despite the similarity of problems causing the deficits reported by the boards, their importance differs depending on the province and their particular context, some boards having already taken effective action to recover deficits while others have not yet managed to nip their growth in the bud.

In Québec, for instance, the CSST noted a deficiency in its reserves of over $300 million as early as 1975 following the adoption of the automatic pension indexing principle and its retroactive application. The measures taken at that time to adjust employer assessments accordingly, enabled a distinct improvement in the accident fund whose degree of capitalization rose from 54% to 71% between 1975 and 1983. Despite its actuarial deficiency, the CSST has a solid financial position today; having proven its ability to control the level of its accident fund, it was able to change its financing method.

In this context, it has therefore chosen, for the next ten years, to stop amortizing the existing actuarial deficiency and to capitalize only part of the annual accident cost, and thus increase its unfunded liability, which in turn permits a reduction of assessments without affecting the security of beneficiaries. At the end of 1984, the unfunded liability stood at $1,081.9 million.

In British Columbia, the deficit is likewise attributable mainly to retroactive adjustment of pensions and automatic indexing, together with a sharp increase in accidents reported and their costs. The resulting increase in commitments pushed the Board's deficit from $18 million in 1975 to over $500 million in 1981. In 1978, the Board set out to recover its deficit over a nine-year period, with little success however given its increased commitments. By setting a new nine-year period for this amortization in 1982, it was able to reduce its deficit in 1983 by increasing its assessments and reducing its costs. In 1984 the CSST's acturial deficiency was only $314.9 million, or 39% less than the previous year. The CSST attributes this reduction of its deficit primarily to an increase in assets that far outweighed the increase in its commitments: while assessment income increased 4.8% and investment income rose 16.7%, compensation expenditures rose only slightly, by 2.2%, and administration costs dropped 1.7%.

---

(1) This is the case in Québec, where uncapitalized commitments are provided for in the financing method.

In Ontario, the problem is quite different because the deficit is in a growth phase: it rose from $816.1 million in 1981 to $1,428.1 million in 1982, then to $2,025.3 million in 1983, and finally to $2,710.5 million in 1984. In three years, this deficit has thus tripled. The successive escalations due to legislative amendments periodically adjusting benefits retroactively, the delays between adjustment of the maximums insurable for compensation and assessment purposes, and the administrative standards limiting the increase of assessment rates are all factors which make it very difficult, if not impossible, under the present plan for the Board to control the level of its reserves in relation to its commitments. Because of the gravity of this situation, in 1983 the Board launched a campaign to make employers aware of the question and began a series of consultations to study possible solutions to the problem. In 1984, the assessments received were up 34.3% over the previous year, while commitments rose 22.3% and the deficit increased by 33.8%.

Capitalization of accident funds

The present capitalization of provincial accident funds, specifically the extent to which accumulated reserves correspond to commitments, would undoubtedly be extremely interesting to compare. Unfortunately, cost evaluation methods vary so much from board to board that any parallel in this regard could well be unsatisfactory.

At the end of 1983, for example, the Ontario accident fund was estimated to be capitalized at 49%, not counting the indexing of benefits which is not included in the law. When indexing is taken into account, the Ontario Board estimated, in light of an acturial study it commissioned, that the sufficiency of its accident fund was closer to 28%. In Québec, the degree of capitalization of CSST reserves was 71% at the same date. It is interesting to note that while public sector employers in Québec contribute to the accident fund and accumulate reserves in it, this is not the case in Ontario, where their commitments are not considered in the calculation of accident fund sufficiency.

We must keep in mind, however, that the different stages of reform reached by the various boards and the more or less recent nature of amendments to their plans, affect the level of commitments to varying degrees.

The absence of a clear financing policy in many provinces makes comparisons even more difficult. Nevertheless, Québec is following the evolution of financing policies in the other provinces and, if need be, may adjust to them when expedient.